

# Identity Preserved Grain Transportation

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Heidi M. Reichert  
Shipper & Exporter Assistance  
Transportation & Marketing  
Agricultural Marketing Service  
U.S. Department of Agriculture

# What is IP?

- Identity Preservation
- A system of production and delivery in which the grain is segregated based on intrinsic characteristics (such as variety or production process) during all stages of production, storage, and transportation



# Growing Interest in IP



- Producers seeking means of diversifying or specializing (Niche markets)
- Technological advancements in communication, production, processing and marketing (JIT)
- Sophistication of customer demands (specific characteristics, color, protein, size)
- Low 'commodity' grain prices (higher returns for farmer)
- Refined consumer expectations (organic)

# What are the issues?



- Traditional (bulk) system of moving grain has been designed to comingle
- Cost reduction based on economies of scale (IP is often in smaller movements)
- Specific issues
  - Elevators
  - Rail
  - Ships
  - International Buyers/Competitors

# Comingling

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- Farm to elevator (storage)
- Storage to rail/barge
- Rail/barge to elevator
- Elevator to ship

# Grain Elevators

- Designed to bring together small loads of grain into one big one (economies of scale)
- Smaller, country elevators are less common
- Marketing niche
- Partition larger elevators?
- Re-open country elevators?



# Rail

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- Moving towards larger unit trains (>50 - 100 units)
- Not as accessible to smaller elevators
- How best to move smaller shipments?



# Bulk Ships

- Growing in size (post-panamax)
- Dead freight
- Clean? Partition?  
(Low tolerance levels)





# International Buyers



- Part of driving force for IP
- Strict demands (various reasons)
- Varied tolerance levels
- Able to keep product segregated upon arrival (Yes - use as an example; No - why are we worrying so much?)
- Country requirement vs. buyer requirement

# Foreign Competition

- Competition already getting tougher
- Better able to meet buyer demands?
- How?



# Possible solutions



- Bagging grain (more expensive; ex. soybeans)
- Containerized transport from farm/elevator to exporter (discuss further)
- Barge (less expensive, but slower)
- Small/country grain elevators
- Remove storage aspect (better coordination between transport modes)

# Containerized Grain



- Best means of IP transport
- Niche market for grain producers (Direct Marketing)
- Higher valued, specialty grain (JIT)

# Containerized Grain (cont'd)



- Soybeans, animal feed, pulses, wheat, corn (not a new concept)
- Low ocean freight rates
- Accessible by truck
- Act as storage (on farm, at port, overseas)
- Direct (from farm) marketing opportunity
- Opportunities to reduce costs through logistics (service contracts, cooperatives)

# Trends in Containerization

Product	1992		1998		Change
	B	C	B	C	
Sunflower Seed	38%	62%	12%	88%	30%
Hops	2%	98%	0%	100%	2%
Pulses	34%	66%	26%	74%	11%

B: Bulk; C: Containerized

Source: PIERS, NY; 1992-8

# Containerized Grain (cont'd)

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- Getting container supply near farm/elevator
- Move off farm/elevator
- Heavy load
- Disadvantage for some
- More expensive
- For premium product



# USDA Programs

- IP Containerized Grain Information on Internet ([www.ams.usda.gov/tmd/ipgrain](http://www.ams.usda.gov/tmd/ipgrain))
- USDA - DOT Task Force on IP Grain Transportation (Rural Transportation USDA-DOT MOU)
- Issue Paper (What are the issues?)
- Containerized Grain Export Seminars (ND, PNW)